

February 22, 2016

Re: The City of Jackson's Opposition to Senate Bill 630 and House Bill 5150

Dear Senate Local Government Committee,

The City of Jackson, like many other municipalities, is facing difficult financial challenges due to substantially reduced revenue that is not likely to rebound in the near future.

In 1961, the State Legislature passed the Revised Judicature Act, which authorizes a party that receives a monetary judgment against a municipality to require the municipality to place a judgment levy on the next tax roll or issue judgment bonds to pay the judgment award. See MCL 600.6093 and 600.6097.

What saves a municipality from financial ruin is that the current judgment collection laws provide that the judgment levy or bonds placed on the tax roll are *in addition* to the usual taxes collected by the municipality. This protects a municipality, and most importantly its residents, from crippling financial losses, employee layoffs, and devastating service and program cuts, if a monetary judgment is awarded against a municipality, since the judgment levy is *in addition* to the usual taxes collected.

Senate Bill 630 and House Bill 5150, collectively referred to as ("the Bills"), were introduced in December of 2015. The Bills mandate that the judgment levy imposed by a monetary judgment against a municipality would be commandeered from the next regular property tax levy, rather than being collected in addition to the usual taxes collected by the municipality. Furthermore, the Bills dictate that if the municipality wants to issue judgment bonds to pay over a period of years, the judgment bonds would have to be approved by the electors of the municipality. The Bills also prohibit a municipality from issuing judgment bonds if the monetary judgment involved an improper tax, fee, or assessment. In addition, the Bills threaten municipal officials and employees with a criminal misdemeanor and imprisonment if the municipal officials or employees fail to comply with a provision in the Bills.

The City of Jackson was informed that the Bills were introduced in response to information contained in a publication from the Citizens Research Council from June 2015 ("CRC Publication"). The CRC Publication is an extremely slanted and one-sided article that completely fails to analyze or even consider the financial impact and consequences that a municipality and its residents would suffer if the language in the Bills was passed into law.

A good example of the flawed reasoning behind the CRC Publication is its own example regarding the City of Inkster. According to the CRC Publication, the City of Inkster had two judgment levies totaling 6.92 mills as the result of lawsuits involving allege police misconduct. The CRC Publication concedes that:

"Inkster's judgment levy results from the actions of a public servant employed by the city. The alleged abuse did not result from directives by the city leaders, but did occur while in employment by the city. The city did not budget for the settlement costs that might arise in such instances and does not have a sufficient fund surplus to make the ordered remuneration. In Inkster's case, the financial obligation was simply unforeseen and impossible to plan for in advance."

The CRC admits that there was nothing that the City of Inkster could have to done to avoid the judgment, yet the CRC claims that Bills are still needed despite the fact that they would rub salt in the City's wounds by draining the City's finances. Not only do the Bills do absolutely nothing to help a city like Inkster in this situation, the Bills would make the matter exponentially worse by depleting the expected tax revenues of the City so that it would be forced to lay off employees, forgo training, cut services, and eliminate programs.

The notion behind the CRC Publication and the Bills is that if a municipal employee or municipality loses a lawsuit, the municipality should suffer the punishment. The Bills claim to protect taxpayers from added assessments at the expense of the municipality that serves them. The premise behind the CRC Publication is incredibly short-sighted and misguided. The CRC Publication seems to imply that municipalities work against its citizens rather than work for them. However, this belief could not be further from the truth.

Municipalities were created and incorporated by their citizens, municipal officials are elected by their citizens, and most importantly municipalities work for their citizens. Municipalities provide the vast majority of services and programs that citizens and corporations use and benefit from every day, such as: police, fire, code enforcement, utilities, infrastructure, streets, sidewalks, water and wastewater treatment, and parks and recreation programs, just to name a few.

Almost all, if not all, of municipal services are paid for from the collection of general property taxes. However, if the Bills are passed into law, these taxes would not go to pay for the services listed above, rather the tax money would go towards paying the judgment. Citizens of the municipality might avoid a small one-time assessment increase if the Bills are passed into law; however, they would be self-inflicting pain on themselves by reducing the municipal services that directly benefit them.

On behalf of the City of Jackson, I wish to thank you for your time and consideration. It is our hope that this letter will prove useful in the State of Michigan's and every local government's effort to be financially healthy, use taxpayer funds efficiently, provide effective services, and in making the Legislature aware of the harmful and devastating effects that Senate Bill 630 and House Bill 5150 will have on Michigan municipalities. The City of Jackson strongly opposes Senate Bill 630 and House Bill 5150 and strongly urges all state legislators to oppose the Bills as well. If you have any questions, I encourage you to contact myself or my staff.

Sincerely,

Patrick Burtch

Patrick H. Burtch

City Manager

Bethany Smith

Bethany M. Smith

City Attorney